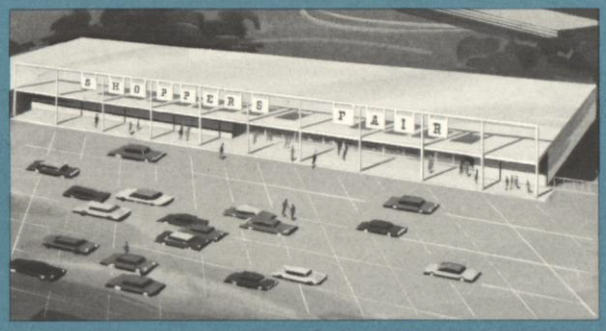
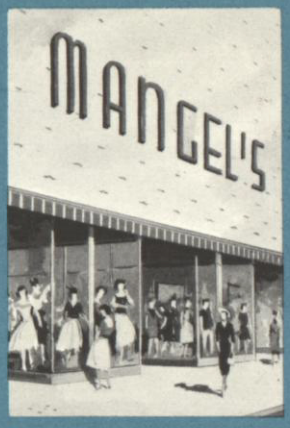
CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

Annual Report

FOR THE YEAR ENDED JANUARY 31

1959





MANGEL

STORES CORPORATION

AND SUBSIDIARIES

Directors

HERBERT J. DEITZ
ISRAEL A. DIAMOND
PHILIP DIAMOND
PHILLIP F. FRANKEL
SAUL C. GUZY
GEORGE M. JAFFIN
AL KLEIN
SIDNEY MANGEL
SOL MANGEL
MAX WEINREICH

Officers

SOL MANGEL	President
PHILLIP F. FRANKEL	Vice-President
SIDNEY MANGEL	Vice-President and Assistant Secretary
ISRAEL A. DIAMOND	Vice-President and Assistant Treasurer
SAUL C. GUZY	Vice-President and Assistant Secretary
SOPHIA KAUFMAN	Vice President
PHILIP DIAMOND	Treasurer
MAX WEINREICH	Secretary
AL KLEIN	Assistant Secretary and Controller

COUNSEL	Cole, Grimes, Friedman & Deitz, New York, N. Y.
AUDITORS	S. D. Leidesdorf & Co., New York, N. Y.
TRANSFER AGENT	Guaranty Trust Company of New York 140 Broadway, New York 15, N. Y.
REGISTRAR	Manufacturers Trust Company 55 Broad Street, New York 4, N. Y.

Our cover depicts 3 of 125 typical modern Mangel fashion stores catering to smart women throughout 26 states under the store names of Mangel's, Shopper's Fair, and Salle Ann.

Annual Report

FOR THE YEAR ENDED JANUARY 31

1959

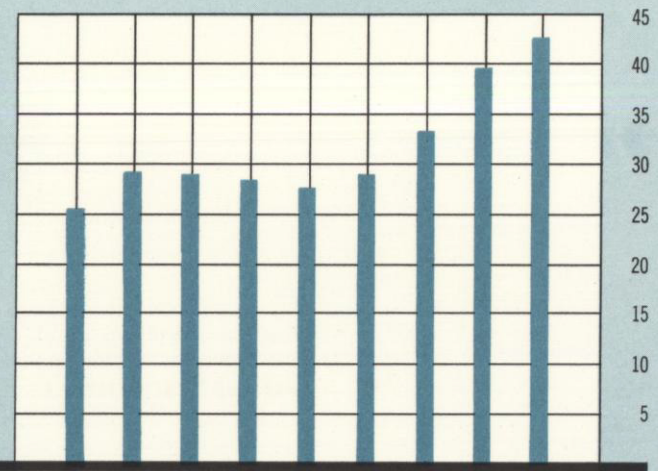
MANGEL

STORES CORPORATION

EXECUTIVE OFFICES	115 West 18th Street, New York 11, N. Y.
ANNUAL MEETING	First Tuesday in May
LISTED	American Stock Exchange

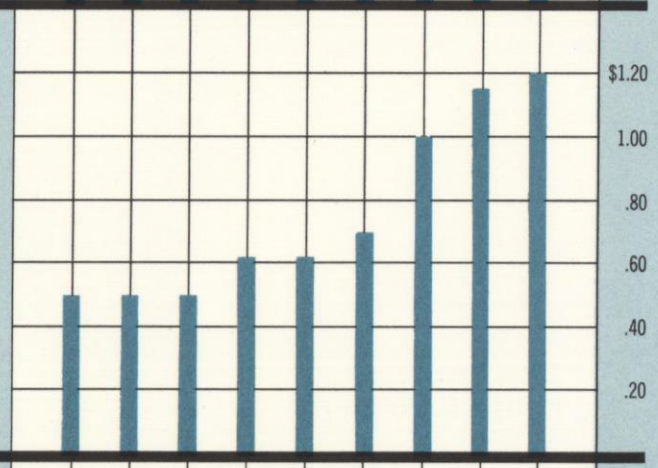
Sales

millions of dollars



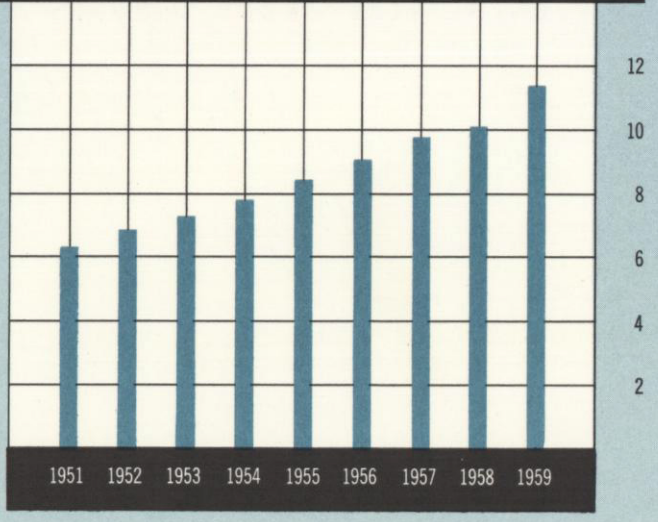
Dividends

dollars per share



Shareholders' Equity

millions of dollars



Fiscal Years Ended Approximately January 31

PRESIDENT'S LETTER

To Our Shareholders:

I am pleased to submit the financial report for the year ended January 31, 1959.

The results of operations were particularly gratifying because the year started so poorly. Significant progress was made in the financial condition of the Company and its expansion, as will be observed from this report.

SALES

Total net sales including income from leased departments reached the record sum of $42,654,510 for the year ended January 31, 1959. This represents an increase of $3,125,475 or 7.9%, over the previous year. This improvement in sales volume may be credited entirely to the new larger stores opened during the year. To the extent that the new stores were not open for this full year, we expect reasonable additions to our volume next year.

EARNINGS

Net earnings for the year after all charges including taxes on income increased to $1,142,366 from $1,049,033, before the deduction of the special item, in the previous year. Share earnings were $2.24 this year and $2.07 last year based on the average number of shares outstanding.

DIVIDENDS

Dividends paid during the year totaled $610,485, a record high.

Dividends paid per share amounted to $1.20 this year as compared with $1.15 last year, after giving effect to the 100% stock distribution on May 28th, 1957.

FINANCIAL CONDITION

The financial condition of the Company showed substantial progress and continued to be very strong as shown by the Comparative Consolidated Balance Sheet on Pages 8 and 9.

Assets totaled $20,418,031, as compared with $18,393,448, an increase of $2,024,583. This increase is reflected in higher balances of marketable securities and merchandise inventories.

Working Capital increased from $6,893,211 at the beginning of the year to $9,809,821 at the end of the year, an increase of $2,916,610 which is accounted for as follows:

Funds were obtained from:	
Net Earnings for the Year	$1,142,366
Depreciation, not a cash outlay	911,318
Sales of Convertible Debentures	3,000,000
Sales of stock to certain employees under a restricted stock option plan	19,725
Other items – net	71,142
Total funds obtained	5,144,551
Less funds spent for:	
Capital Assets	1,099,108
Reduction of Long-Term Debt (Non-Current Portion)	518,348
Cash Dividends	610,485
Total funds spent	2,227,941
Net Increase in Working Capital	$2,916,610

Net Worth also benefited substantially from the earnings for the year and from the conversion of the debentures to stock, as follows:

Net Earnings for the Year	$1,142,366
Debentures converted to stock	780,000
Sales of stock to optionees	19,725
	1,942,091
Less: Dividends Paid	610,485
Other items	51,966
	662,451
Net Increase in Net Worth	$1,279,640

EXPANSION PROGRAM

During the year under review we opened four new stores and closed two unprofitable stores, leaving 125 in operation at the end of the year as compared with 123 stores at the beginning of the year.

Leases have been consummated and/or properties purchased for the opening of six additional stores.

CONVERTIBLE DEBENTURES

As previously reported, in March 1958, the Company sold publicly through underwriters $3,000,000 of 5½ % Convertible Debentures due 1973. To March 27, 1959, $1,671,000 of the debentures were converted to stock, leaving $1,329,000 of the debentures outstanding.

GENERAL

Present indications point to another successful year barring any unforeseen adverse change in the general economic situation.

We wish to express our appreciation to all our employees, shareholders and suppliers for their efforts in making this a successful year.

April 20, 1959 President

MANGEL

STORES CORPORATION
AND SUBSIDIARIES

	FISCAL YEARS		
	1959	1958	1957
INCOME DATA			
Net Sales*	$42,654,510	$39,529,035	$33,177,700
Income before Federal Taxes	1,797,366	1,719,033	2,000,260
Income after Federal Taxes	1,142,366	1,049,033**	1,275,260**
Dividends Paid	610,485	581,638	505,574
Number of Stores	125	123	125
BALANCE SHEET DATA			
Current Assets	$11,908,692	$ 9,948,791	$ 8,881,631
Current Liabilities	2,098,871	3,055,580	2,071,628
Net Working Capital	9,809,821	6,893,211	6,810,003
Current Ratio	5.6	3.2	4.2
Accounts Receivable	$ 2,776,514	$ 2,796,598	$ 2,976,121
Merchandise Inventories	5,169,587	3,969,138	3,628,380
Fixed Assets	7,947,776	7,759,988	7,213,475
Long-Term Debt	6,961,301	5,259,649	4,701,579
Shareholders' Equity	11,357,859	10,078,219	9,763,895
PER SHARE DATA (all years adjusted for 100% stock distribution made on 5/28/57)			
Net Income (Based on average shares outstanding)	$ 2.24	$ 2.07**	$ 2.52**
Dividends	1.20	1.15	1.00
Book Value	20.47	19.92	19.31

*Net sales for 1956 and subsequent years include income from leased departments and for 1955 and prior years include sales of leased departments.

**Before deduction of special item of $160,249 ($.32 per share) in 1958 and $148,702 ($.30 per share) in 1957.

Ten Year Summary of Progress

ENDED (APPROXIMATELY) JANUARY 31						Calendar Year Ended Dec. 31
1956	1955	1954	1953	1952	1951	1949
$28,915,939	$27,564,670	$28,491,478	$29,013,922	$29,116,235	$25,635,310	$25,668,102
1,642,986	1,358,214	1,416,396	1,161,101	1,120,674	1,029,169	776,185
1,079,986	890,215	856,953	757,998	743,721	615,404	544,994
353,902	316,108	316,608	256,287	256,787	256,787	256,802
118	117	117	114	117	115	89
$ 8,910,438	$ 7,806,653	$ 7,694,010	$ 7,151,569	$ 7,790,923	$ 6,327,051	$ 5,493,944
2,344,816	1,382,041	1,322,543	1,302,752	1,798,027	2,014,909	1,447,635
6,565,622	6,424,612	6,371,467	5,848,817	5,992,896	4,312,142	4,046,309
3.8	5.6	5.8	5.4	4.3	3.1	3.8
$ 2,834,455	$ 2,312,078	$ 1,947,215	$ 1,771,636	$ 1,734,182	$ 1,335,780	$ 1,056,662
3,338,297	3,246,598	3,006,483	2,969,312	3,072,182	3,490,150	1,882,276
5,554,515	3,816,201	4,194,667	4,359,657	4,042,871	3,818,043	3,664,708
3,447,432	2,722,340	2,996,995	3,271,361	3,545,435	2,269,199	1,943,450
9,142,911	8,416,827	7,851,221	7,310,876	6,859,885	6,372,950	6,138,191
$ 2.13	$ 1.76	$ 1.69	$ 1.49	$ 1.45	$ 1.20	$ 1.06
.70	.625	.625	.50	.50	.50	.50
18.08	16.65	15.50	14.43	13.36	12.41	11.95

MANGEL

STORES CORPORATION
AND SUBSIDIARIES

Assets

	1959	1958
CURRENT ASSETS:		
Cash	$ 1,730,197	$ 3,112,136
United States Government securities – at cost, plus accrued interest (approximate market value), less amounts applied in reduction of reserve for Federal income taxes – per contra – $807,766, 1959; $20,622, 1958	207,980	—
Investment in short-term commercial paper – at cost, plus accrued interest	1,986,806	—
Accounts receivable – trade, less reserves for doubtful accounts ($245,189, 1959; $289,808, 1958) and unearned service charges ($284,794, 1959; $285,609, 1958)	2,776,514	2,796,598
Miscellaneous receivables	37,608	70,919
Merchandise inventory – at the lower of cost or market, based upon the retail method of inventory valuation (including merchandise in transit and, in 1958, in hands of supplier – at cost – $263,053, 1959; $183,115, 1958)	5,169,587	3,969,138
TOTAL CURRENT ASSETS	11,908,692	9,948,791
OTHER ASSETS:		
Mortgage receivable	—	135,835
Deposits and miscellaneous other assets	122,340	102,862
	122,340	238,697
FIXED ASSETS – at cost:		
Real estate – subject (except for part in 1959) to mortgages – per contra, less reserves for depreciation – $259,522, 1959; $188,048, 1958	2,978,932	2,746,251
Furniture, fixtures, equipment and leasehold improvements, less reserves for depreciation and amortization – $3,831,212, 1959; $3,309,459, 1958	4,862,241	4,945,024
Construction in progress	106,603	68,713
	7,947,776	7,759,988
DEFERRED CHARGES:		
Unamortized financing expense	161,770	14,860
Unexpired insurance	123,868	146,730
Prepaid taxes, expenses, etc.	153,584	284,381
	439,222	445,971
GOODWILL	1	1
	$20,418,031	$18,393,448

The accompanying Notes to Financial Statements are an integral

Comparative Consolidated Balance Sheet

As at January 31, 1959 and February 1, 1958

Liabilities

	1959	1958
CURRENT LIABILITIES:		
Current installments of long-term debt – Note A	$ 327,945	$ 525,500
Accounts payable – merchandise, less discounts	847,186	593,375
Accounts payable – expenses, taxes, etc.	802,312	906,661
Customers' deposits on layaway sales and credits	121,428	134,488
Reserve for Federal income taxes, less United States Government securities – at cost, plus accrued interest – per contra – $807,766, 1959; $20,622, 1958	—	895,556
TOTAL CURRENT LIABILITIES	2,098,871	3,055,580
LONG-TERM DEBT, LESS CURRENT INSTALLMENTS – Note A:		
Note payable – bank	1,400,000	1,600,000
Notes payable – insurance company	1,549,000	1,816,000
Mortgages payable (collateralized by real estate – per contra – and by certain leases)	1,792,301	1,843,649
5½% Convertible Subordinated Debentures, due March 1, 1973	2,220,000	—
	6,961,301	5,259,649
TOTAL LIABILITIES	9,060,172	8,315,229
CAPITAL STOCK AND SURPLUS – Notes A and B:		
Common Stock – par value $1 per share:		

	Shares 1959	Shares 1958		
Authorized	1,000,000	1,000,000		
Issued	612,201	564,940	612,201	564,940
Less: Treasury stock	57,571	58,886	57,571	58,886
Outstanding	554,630	506,054	554,630	506,054
Surplus:				
Capital Surplus			1,495,287	796,104
Earned Surplus			9,307,942	8,776,061
			11,357,859	10,078,219
LONG-TERM LEASES AND CONTINGENT LIABILITIES – Note C				
			$20,418,031	$18,393,448

part of this statement and should be read in conjunction herewith.

MANGEL

STORES CORPORATION
AND SUBSIDIARIES

Comparative Consolidated Statement of Income and Earned Surplus

For the year (52 weeks) ended January 31, 1959
and for the period from February 1, 1957 to February 1, 1958

	1959	1958
Net sales, including income from leased departments	$42,654,510	$39,529,035
Cost of sales, and selling, general and administrative expenses (exclusive of depreciation and amortization), less service charges on customers accounts	39,802,400	36,899,326
	2,852,110	2,629,709
Depreciation and amortization	911,318	853,115
	1,940,792	1,776,594
Other deductions – net	143,426	57,561
Net income before Federal income taxes	1,797,366	1,719,033
Federal income taxes	655,000	670,000
Net income	1,142,366	1,049,033
Special item:		
Federal taxes on income and other adjustments applicable to prior years (net) based on examinations by Internal Revenue Service	—	160,249
Net income less special item	1,142,366	888,784
Earned Surplus as at February 1, 1958 and January 31, 1957	8,776,061	8,721,602
	9,918,427	9,610,386
Deduct:		
Distribution of Common Stock	—	252,687
Cash dividends paid on Common Stock – $1.20 per share in 1959 and $1.15 per share in 1958*	610,485	581,638
	610,485	834,325
Earned Surplus as at January 31, 1959 and February 1, 1958 –Notes A and B	$ 9,307,942	$ 8,776,061

*Amount per share in 1958 adjusted for the distribution of Common Stock on May 28, 1957.

The accompanying Notes to Financial Statements are an integral part of this statement and should be read in conjunction herewith.

Notes to Financial Statements

As at January 31, 1959

The financial statements as at February 1, 1958, and for the period from February 1, 1957 to February 1, 1958, are shown for comparative purposes. Reference should be made to the previously issued report for the Accountants' Report and notes pertaining to those financial statements.

NOTE A – LONG-TERM DEBT:

Installments of long-term debt are payable as follows:

Year ending January	Total	Note Payable — Bank (4½%)	Notes Payable — Insurance Company (3¼% to 4%)	Mortgages Payable (4% to 5½%)	5½% Convertible Subordinated Debentures, Due March 1, 1973
1960	$ 327,945		$ 267,000	$ 60,945	
1961	531,027	$ 200,000	267,000	64,027	
1962	1,999,268	1,200,000	732,000	67,268	
1963	170,673		100,000	70,673	
1964	174,254		100,000	74,254	
1965-78	4,086,079		350,000	1,516,079	$2,220,000
	$7,289,246	$1,400,000	$1,816,000	$1,853,246	$2,220,000

The 5½% Convertible Subordinated Debentures, due March 1, 1973, require annual sinking fund payments, starting in 1961, sufficient to redeem $210,000 principal amount of debentures at declining premiums starting at 2½% (inasmuch as the Company intends to credit against such sinking fund payments the $780,000 principal amount of debentures which were converted during the year into Common Stock, the first payment will not be due until February 28, 1964); are redeemable at the option of the Company, other than for the sinking fund, at diminishing rates starting at 105½%; are convertible by the holders into Common Stock at $16.50 per share to March 1, 1963, $18.00 to March 1, 1968, and $19.50 thereafter; and are subordinated to senior indebtedness (as defined) which at January 31, 1959, consisted of all of the other long-term debt of the Company, including current installments thereof and accrued interest. Debentures converted into Common Stock aggregated $780,000 to January 31, 1959, and $891,000 for the period from February 1, 1959, to March 27, 1959 (see Note B).

The loan agreements with the bank and insurance company and the indenture relating to the 5½% Convertible Subordinated Debentures, provide, among other things, restrictions (based on consolidated earnings and consolidated working capital) on the payment of dividends other than stock dividends, purchase of the Company's capital stock, and making of certain investments. At January 31, 1959, approximately $1,432,000 of consolidated surplus was free of these restrictions.

NOTE B – CAPITAL STOCK AND SURPLUS:

During the year, Capital Surplus was credited with $680,773, representing the excess of $780,000 principal amount of 5½% Convertible Subordinated Debentures, due March 1, 1973, over the par value of 47,261 shares of Common Stock issued upon conversion and $280 cash paid in lieu of fractional shares, less $51,686 unamortized financing expense applicable to the debentures converted. Between February 1, 1959, and March 27, 1959, additional debentures, aggregating $891,000, were converted into 53,992 shares of Common Stock and $214 cash paid in lieu of fractional shares.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE B – CAPITAL STOCK AND SURPLUS (cont'd)

At January 31, 1959, 134,546 shares of authorized Common Stock are reserved for conversion of the outstanding 5½% Convertible Subordinated Debentures.

Under the stock option plan approved by the Company's Board of Directors in 1957, (1) at February 1, 1958, options for 12,820 shares were outstanding (2) during the year options were exercised for 1,315 shares at $15.00 and (3) at January 31, 1959, options were outstanding for 11,505 shares at $15.00 per share. Between February 1, 1959, and March 27, 1959, options with respect to 640 shares were exercised at $15.00 per share. The excess ($18,410) of the consideration received for the 1,315 shares of Common Stock (treasury stock) issued upon exercise of options during the year over the par value of such shares was credited to Capital Surplus. See Note A for restrictions affecting capital stock and consolidated surplus.

Consolidated surplus includes undistributed earnings of subsidiaries which may be subject to Federal and state income taxes if and when received by the Company in the form of dividends.

NOTE C – LONG-TERM LEASES AND CONTINGENT LIABILITIES:

As at January 31, 1959, the minimum annual rentals on property covered by 108 leases expiring after January 31, 1962, exclusive of inter-company rentals, amounted to approximately $1,724,000. Certain lease agreements provide for additional rentals based upon sales or for payment of real estate taxes, insurance, etc. In addition, two lease agreements provide for rentals exclusively on the basis of sales.

GENERAL:

The accompanying financial statements are subject to final determination of Federal, state and local taxes.

Accountants' Report

To the Board of Directors
Mangel Stores Corporation
New York, N. Y.

We have examined the consolidated balance sheet of Mangel Stores Corporation and subsidiaries as at January 31, 1959, and the related consolidated statement of income and earned surplus for the year (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and earned surplus, together with the notes to financial statements, present fairly the consolidated financial position of Mangel Stores Corporation and subsidiaries at January 31, 1959, and the consolidated results of their operations for the year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & CO.

New York, N. Y.
March 30, 1959

MANGEL

STORES CORPORATION

125 Store Locations

ALABAMA
Anniston
Birmingham
Decatur
Florence
Huntsville (2)
Mobile
Montgomery (2)
Prichard
Selma
Tuscaloosa

ARKANSAS
Fayetteville
Fort Smith
Hot Springs
Little Rock
Pine Bluff

CONNECTICUT
Bridgeport (2)

FLORIDA
Jacksonville
Key West
Miami (2)
Miami Beach (2)
Orlando
Panama City
Pensacola (2)
Tallahassee
Tampa

GEORGIA
Atlanta
Augusta
Columbus
Macon
Savannah
Thomasville
Valdosta

ILLINOIS
Chicago
Danville

INDIANA
Evansville
Indianapolis

IOWA
Clinton

KENTUCKY
Lexington
Paducah
Shively

LOUISIANA
Baton Rouge
Crowley
Lafayette
New Iberia
New Orleans
Opelousas

MARYLAND
Baltimore
Salisbury

MICHIGAN
Detroit
Flint
Kalamazoo

MINNESOTA
St. Paul

MISSISSIPPI
Greenville
Jackson
Meridian
Natchez

MISSOURI
St. Louis

NEW MEXICO
Hobbs
Santa Fe

NEW YORK
Rochester
Syracuse

NORTH CAROLINA
Asheville
Charlotte
Elizabeth City
Greensboro
Raleigh

OHIO
Canton
Columbus
Lancaster
Zanesville

OKLAHOMA
Muskogee

PENNSYLVANIA
Altoona
Johnstown
Philadelphia

SOUTH CAROLINA
Aiken
Charleston
Columbia
Greenville
Greenwood
Spartanburg

TENNESSEE
Chattanooga
Jackson
Johnson City
Memphis (2)

TEXAS
Abilene
Amarillo
Austin
Baytown
Beaumont (2)
Big Spring
Borger
Brownsville
Brownwood
Corpus Christi (2)
Corsicana
Dallas (3)
Galveston (2)
Harlingen
Longview
McAllen
Midland
San Antonio (2)
Texarkana
Waco
Wichita Falls

WEST VIRGINIA
Charleston
Huntington

WISCONSIN
Fond du Lac
Green Bay
Madison
Oshkosh
Sheboygan

MANGEL

STORES CORPORATION

AND SUBSIDIARIES